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PAGES

CLASSIFICATION

MESSAGE HANDLING INDICATOR

DATE-TIME GROUP

CITE

MESSAGE REFERENCE NUMBER

CIA \ OCI \ WHIZWH 740808

CIA/WHSS

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SOURCE REF:

ROUTING	1	4	7	10
2		5	8	11
3		6	9	12

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ITEM NO: WH-1

DATE: 6 AUGUST 1974

SUBJECT: SAUDI ARABIA--OIL AUCTION

192

THE SUPREME PETROLEUM COUNCIL, SAUDI ARABIA'S SENIOR ADVISORY BODY ON OIL MATTERS, HAS RECOMMENDED AGAINST HOLDING THE LARGE SAUDI OIL AUCTION PROPOSED BY OIL MINISTER YAMANI. THE KING MAY RESOLVE THE ISSUE IN THE NEXT FEW DAYS--OR HE MAY DEFER ANY DECISION, IN EFFECT POSTPONING THE AUCTION INDEFINITELY.

PETROLEUM MINISTER YAMANI HAS TOLD THE US EMBASSY THAT THE COUNCIL WANTS TO SCRAP PLANS FOR THE AUCTION. IT ALSO SUGGESTS HOLDING FOR THE SAME HIGH PRICE KUWAIT IMPOSED IN ITS RECENT AGREEMENT WITH GULF OIL AND BRITISH PETROLEUM, THE TWO MAJOR PRODUCING COMPANIES IN KUWAIT.

YAMANI IS STILL PRESSING FOR THE AUCTION AS A WAY TO BRING PRICES DOWN, AN OBJECTIVE SHARED BY KING FAYDAL. THE COUNCIL'S

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State Department review completed

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# OUTGOING MESSAGE

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ADVICE TO THE CONTRARY WILL FIGURE HEAVILY IN FAYSAL'S DECISION, HOWEVER. PRINCE FAHED, WHO CHAIRS THE COUNCIL, HAS THROWN HIS WEIGHT BEHIND ITS RECOMMENDATION, AND THE KING USUALLY LISTENS TO HIM. FAYSAL IS ALSO AWARE OF STRENUOUS OPPOSITION TO THE SAUDI MOVE BY OTHER MEMBERS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES--ESPECIALLY IRAN, KUWAIT, ABU DHABI, AND ALGERIA.

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WHETHER THE AUCTION IS HELD OR NOT, YAMANI DOUBTES THAT THERE WILL BE MUCH OF AN INCREASE IN SAUDI PRODUCTION IN THE FORSEEABLE FUTURE, IN VIEW OF THE GENERALLY HIGH WORLD OIL STOCKS AND THE "SPONGY" OIL MARKET.

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